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To authorize association of
producers of rosin...

Washington

1923

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TO AUTHORIZE ASSOCIATION OF PRODUCERS
OF ROSIN AND TURPENTINE

Rev.

HEARING

BEFORE

THE COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES

SIXTY-SEVENTH CONGRESS
FOURTH SESSION

ON

S. 4324

Serial 49

FEBRUARY 13, 1923



WASHINGTON
GOVERNMENT PRINTING OFFICE
1923

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COMMITTEE ON THE JUDICIARY.

HOUSE OF REPRESENTATIVES.

SIXTY-SEVENTH CONGRESS.

ANDREW J. VOLSTEAD, Minnesota, *Chairman*.

GEORGE S. GRAHAM, Pennsylvania.	EARL C. MICHENER, Michigan.
LEONIDAS C. DYER, Missouri.	ANDREW J. HICKEY, Indiana.
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RICHARD YATES, Illinois.	HATTON W. SUMNERS, Texas.
WELLS GOODYKOONTZ, West Virginia.	ANDREW J. MONTAGUE, Virginia.
IRA G. HERSEY, Maine.	JAMES W. WISE, Georgia.
WALTER M. CHANDLER, New York.	JOHN N. TILLMAN, Arkansas.
ISRAEL M. FOSTER, Ohio.	FRED H. DOMINICK, South Carolina.

GUILFORD S. JAMESON, *Clerk*.
W. N. STREETER, *Assistant Clerk*.

TO AUTHORIZE ASSOCIATION OF PRODUCERS OF ROSIN AND TURPENTINE.

SERIAL 49.

COMMITTEE ON THE JUDICIARY,
HOUSE OF REPRESENTATIVES,
Tuesday, February 13, 1923.

The committee met at 10.30 o'clock a. m., Hon. Andrew J. Volstead (chairman) presiding.

TH CHAIRMAN. The committee has before it for consideration this morning S. 4324, an act to amend an act to authorize association of producers of agricultural products. Is there anyone who desires to appear in favor of the bill?

STATEMENT OF MR. C. F. SPEH, SECRETARY AND MANAGER OF THE TURPENTINE AND RESIN PRODUCERS' ASSOCIATION, NEW ORLEANS, LA.

THE CHAIRMAN. What is your name and business?

MR. SPEH. My name is C. F. Speh; I am secretary and manager of the Turpentine and Resin Producers' Association, with offices at New Orleans, La.

MR. FOSTER. You are here to favor an amendment adding the words "producers of turpentine and resin" to the act authorizing the association of producers of agricultural products?

MR. SPEH. Yes, sir.

MR. CHRISTOPHERSON. Is that the only change you are asking for?

MR. SPEH. Yes, sir.

MR. HERSEY. How do you get turpentine and resin?

Mr. FOSTER. You get those the same as you do maple sugar do you not, by tapping the tree?

Mr. SPEH. It is practically the same method, except that in the case of turpentine and resin we work the tree about once a week during certain summer months, whereas in the case of maple sugar there is just one boring. Then the gum is collected and the turpentine is separated from the resin. That is the principle of the production.

Mr. MICHEVER. Are you going to make a statement in regard to this bill?

Mr. SPEH. I have not prepared any formal statement. I was going to have you gentlemen help me out by asking questions.

Mr. MICHEVER. What do you want?

Mr. SPEH. I would like to have this committee favorably report Senate bill 4324, which you have before you, and which simply provides for an amendment to the original cooperative marketing act.

Mr. FOSTER. You favor the bill in its present form?

Mr. SPEH. Yes, sir.

Mr. FOSTER. Adding to the original act the words, "producers of turpentine and resin"?

Mr. SPEH. Yes, sir.

Mr. HERSEY. The original act was entitled, "An act to authorize association of producers of agricultural products." You call your organization the Turpentine and Resin Producers' Association, and you think that would be an organization of producers of agricultural products?

Mr. SPEH. We have always been considered as coming under that class. The operators have been known as turpentine farmers for several years back, and their plants have been known as turpentine orchards. They are sometimes spoken of as growing a crop of naval stores. The number of years when they can grow their crops successfully depends entirely on the market situation.

Mr. FOSTER. Your people produce these things the same as a Delaware orchard produces peaches and the same as an Ohio orchard produces apples. You have the trees and produce the crops from those trees?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Do you grow the tree and cultivate it?

Mr. SPEH. No, sir.

The CHAIRMAN. It is originally the forest tree, is it not?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Therefore, it is not a tree that is cultivated, as the apple tree, the peach tree, or a grape vine? These are simply forest trees?

Mr. SPEH. With this exception, that when the turpentine farmer goes in and gives attention to the tree—because that is his plant from which he gets his fruit, you might say, or in this case his turpentine and resin—he rakes every single tree each year to protect it against fire; he keeps the weeds down and keeps his tree in good condition.

In the last few years there has been an intensive effort on his part to provide himself with a future supply of plants or turpentine trees, and there are a great many of these farmers who are safeguarding these second growth patches of timber, just as they would take care of an apple tree or a peach tree.

The CHAIRMAN. How many years can you continue to tap the trees?

Mr. SPEH. The average would run from three to four successive years. There are many people in the States of Florida, Georgia, North and South Carolina, who have worked for seven or eight years on the same tree.

The CHAIRMAN. Before that tapping kills the tree? I suppose you have to quit tapping the tree so that it will not be killed, but you may perhaps resume operations a little later on?

Mr. SPEH. It does not kill the tree, if it is properly handled. It does not injure the tree in any way, and they can resume operations on the same tree later on. You will find in the older sections of those producing States, such as Georgia, Florida, North and South Carolina, trees which were worked years and years ago, on which work was stopped, which are being tapped again.

The CHAIRMAN. Of what is your organization made up?

Mr. SPEH. It is a turpentine and resin producers' association.

The CHAIRMAN. What are those producers?

Mr. SPEH. They are producers of turpentine and resin.

The CHAIRMAN. What business are they engaged in?

Mr. SPEH. They are engaged in the production of turpentine and resin. They gather the gum—

The CHAIRMAN (interposing). Are they farmers or are they lumbermen?

Mr. SPEH. They are not lumbermen; no, sir.

The CHAIRMAN. Are there not a great many people engaged in selling in your business?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Do they own their own tracts, or do they rent them?

Mr. SPEH. Some of them pay for leases and others own them in fee simple.

The CHAIRMAN. How large a number of those producers have you down there? Have you any idea as to the number?

Mr. SPEH. The Department of Agriculture has listed close to 1,500 of these turpentine farmers.

Mr. HERSEY. They come under the Department of Agriculture?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Are any of them incorporated?

Mr. SPEH. Some of them.

The CHAIRMAN. What sized corporations are they?

Mr. SPEH. I should say that some of them will run, those that are operating as individual companies, about 100 crops of trees.

The CHAIRMAN. Do you mean 100 crops of trees or do you mean 100 trees?

Mr. SPEH. I mean 100 crops of trees, and that acreage will consist, on the average, of about 1,800 acres which are being worked.

Mr. SUMNERS. Is not this about what they do? They keep these trees about five years and then convert the trees into lumber?

Mr. SPEH. Yes, sir.

Mr. SUMNERS. That is the usual way?

Mr. SPEH. Yes, sir.

Mr. SUMNERS. I understand that there is a number of large concerns operating large acreages, which are owned, in some instances by themselves, and in other instances they are leased?

Mr. SPEH. Yes, sir.

Mr. SUMNERS. What percentage of the production of the gum comes from these large operators, and what percentage comes from the farmers over the country who attend to a little patch of gum-producing trees on their respective farms?

Mr. SPEH. I am afraid I can not answer that question, outside of pointing out the fact that a very large bulk of the receipts coming into such ports as Savannah, Jacksonville, Pensacola, and Mobile are assembled there under the factor system. Of these receipts of turpentine and resin which are assembled at those ports under that system, I do not know what the percentage is that comes from each of those sources, but I think it must be more than 50 per cent—probably 80 per cent which comes from the small producers.

The CHAIRMAN. What would you call a small producer?

Mr. SPEH. The average-size production in Georgia three years ago was nine crops; and that means working an acreage which would be equivalent to about 200 acres to the crop, or a total of about 1,800 acres.

Mr. SUMNERS. Your answer to the chairman broke into what I was trying to get at—

The CHAIRMAN. Excuse me.

Mr. SUMNERS. Excuse me, Mr. Chairman. You mentioned two classes of producers, the large producers and the small producers, and you said that you think 80 per cent of these products comes from the smaller producers?

Mr. SPEH. I tried to point out that I do not know the exact figures. In other words, of these 1,500 producers who are listed in the Department of Agriculture and about which I asked them yesterday, they said they felt confident that at least 1,200 could be classified as small producers. I do not know what percentage of production they represent.

Mr. SUMNERS. By small producers you do not mean producers of gum, but the producers of turpentine and resin?

Mr. SPEH. That is the way I consider it; yes, sir.

Mr. SUMNERS. These small producers either take the gum from their own holdings or buy the gum from the farmers who own small tracts of land?

Mr. SPEH. Yes, sir.

Mr. SUMNERS. What percentage of the value of the finished product does the price of the gum represent?

Mr. SPEH. That I do not know.

Mr. SUMNERS. Could you not give the committee some idea about it? In other words, how much would \$1,000 of gum, under these conditions, bring after it is manufactured into turpentine and resin?

Mr. SPEH. I do not know that, because there is not any fixed way of establishing the value of the gum. These small operators would simply make some arrangement with some man who owns a still, and they will ask him how much he will pay for the gum. Those operators will put in their miscellaneous time producing gum from these trees, and they will deliver the gum to the still.

Mr. SUMNERS. It seems to me there would be some reasonably uniform price paid for this gum sufficient to enable a man who appears before the committee, who is more or less of an expert, to give the committee some idea as to the average value of the gum as related to the price received from the finished product.

Mr. SPEH. I am sorry I can not do that. If I had the figures I would only be too glad to give them to you.

Mr. HICKEY. Is the turpentine and resin produced in this country largely used in this country?

Mr. SPEH. Before the war we exported practically an average of about 55 per cent of our production of both turpentine and resin. Since the war and in recent years France and other foreign countries, such as Portugal, Spain, India, and Greece, and even Japan, are increasing their production right along. So we find to-day that the American market must absorb more of the crop than in the past, because our exportation in the future undoubtedly will be less than the pre-war average.

Mr. HICKEY. Are there any imports of these products you mentioned coming into this country now from the nations you referred to?

Mr. SPEH. Not to any extent. Mexico is sending some turpentine and resin into this country, and France occasionally sends resin over here. But the American resin finds greater favor among the paper and soap manufacturers than the French resin.

Mr. DOMINICK. You are certain in your own mind that this is an agricultural product?

Mr. SPEH. I am certain in my own mind that it is; yes, sir.

Mr. HERSEY. I have just examined the agricultural yearbook for 1921, which, I take it, is the latest edition. I find that under imports and exports of agricultural products there are reported turpentine and resin, so they are treated as agricultural products.

Mr. DOMINICK. I want to ask you a question now that I asked and urged at the time the act of February 18, 1922, was passed. If these are agricultural products, why is it that you are not allowed to form your cooperative association without putting this amendment in the law? I always have believed that the passage of this act, instead of helping out, was a detriment to agricultural products. We had had cooperative associations throughout the country up to that time operating under the protection of law without any interference, and then we passed this act and put them under the Agricultural Department and put more restrictions around them.

The CHAIRMAN. Several of them had been indicted and tried.

Mr. DOMINICK. But nobody has been convicted. There are usually exemption, so far as the Department of Justice is concerned.

The CHAIRMAN. But that as you know was not a very effective remedy.

Mr. DOMINICK. I understand they have been operating.

Mr. HERSEY. You have now an organization of some kind among these producers, have you not?

Mr. SPEH. We have just this association which I represent, which is strictly an association which is working along the line of stopping the adulteration of turpentine and things of that kind. We are trying to get a bill through establishing Federal standards for naval stores.

Mr. HERSEY. If you were to get all the producers of turpentine and resin in the South into an organization, in your opinion, how large would that organization be?

Mr. SPEH. You mean if we got them all in?

Mr. HERSEY. Yes.

Mr. SPEH. Are you referring to the value in dollars and cents—

Mr. HERSEY (interposing). No; I mean how many members would you have?

Mr. SPEH. As I say, there are listed with the Department of Agriculture about 1,500 producers.

Mr. HERSEY. They would be the only ones eligible to membership in such an organization?

Mr. SPEH. Absolutely, because it would be working for the benefit of the producers.

The CHAIRMAN. The 1,500 producers which you mentioned are made up of corporations as well as individuals, are they not?

Mr. SPEH. Yes, sir.

The CHAIRMAN. How many of those 1,500 are corporations?

Mr. SPEH. That I do not know. I can only say that in the opinion of the Department of Agriculture at least 1,200 of them could be safely classified as small producers.

The CHAIRMAN. And you would classify a small producer as one having 1,800 acres?

Mr. SPEH. No; not necessarily, because that was the average in Georgia three years ago.

The CHAIRMAN. That is the average for what you call small producers?

Mr. SPEH. Yes, sir; that was the average in Georgia three years ago. That includes some of the larger producers in Georgia. There are plenty of producers in Georgia who are only operating half a crop, which runs about 100 acres. That is, they are operating about 5,000 trees.

The CHAIRMAN. To what extent are the large lumber concerns interested in this matter, if you know?

Mr. SPEH. They are not interested in it as much as if it were going to benefit the naval stores industry. They will derive a certain benefit. The larger producer, I think, is in no need of such help because he has developed his own selling organization.

The CHAIRMAN. Is it not true that quite a large number of lumber concerns are trying to get this legislation through?

Mr. SPEH. They are interested in anything that will help the whole industry.

The CHAIRMAN. They are taking an interest in trying to get this bill passed?

Mr. SPEH. Yes, sir.

The CHAIRMAN. After you get the turpentine and resin separated in the forest—and you do it largely in the forest, do you not?

Mr. SPEH. Yes, sir. I see Mr. Sumners shaking his head. I do not want you gentlemen to think that I am making any misstatement intentionally. It is done in the forest.

Mr. SUMNERS. It is done at a still, is it not?

Mr. SPEH. That still is in the forest.

Mr. SUMNERS. But it is not done among the trees; it is done in an established still.

Mr. SPEH. It is done in a still.

Mr. DOMINICK. You have to put a box or container at the tree and let the resin drip down and collect the resin and take it to a still?

Mr. SUMNERS. But it is at a still where the turpentine and resin are made. Mr. SPEH. May I point out, Mr. Sumners, that that is one of the operations in Texas. It happens that in Texas there is a very narrow strip of longleaf yellow pine running along the eastern border of the State of Texas, and there is not a still in there that is not miles away from a main line railroad. Take, for instance, McMillan; he operates up there and is out in the woods.

Mr. SUMNERS. I do not know about the location of the railroad. I had in mind that you took this stuff to a manufacturing plant.

Mr. SPEH. Not a manufacturing plant, but to a still to separate the turpentine and the resin.

Mr. CHRISTOPHERSON. When it comes out of that still, is it purified?

Mr. SPEH. Absolutely; the turpentine is run into some sort of a receptacle and the resin is put in a barrel.

The CHAIRMAN. You gather it in a container and bring it to a place where you have a still erected?

Mr. SPEH. Yes, sir.

The CHAIRMAN. And that still may be several miles away from a good deal of the timber that is tapped?

Mr. SPEH. Yes, sir.

The CHAIRMAN. It may cover an area of 10 or 15 miles?

Mr. SPEH. It may.

The CHAIRMAN. And the man who runs that still may or may not have any connection whatever with the man who brings the stuff in to the still?

Mr. MICHENER. In other words, the still has about as much relation to this industry as the canning factory has to the man who grows the peas, for instance?

Mr. SPEH. With this exception, that an infinitesimal part of the crude gum is used in making plasters of different kinds. I might as well take that stuff when it comes from the tree and dump it into the sea as it comes from the tree, as to try to sell it. There is no market for it until you separate it into its two constituents, turpentine and resin.

Mr. MICHENER. Take for instance, a hide. The animal itself, when it leaves the farmer, is a product of the farm, but it does not get into the shoes until it goes through a lot of processes, and you would not think of the processes as having anything to do with the farmer.

Mr. SPEH. Except that you have removed something from it or added something to it. But in this case it is a different proposition.

Mr. HERSEY. This industry is confined to a certain area in the South?

Mr. SPEH. Yes, sir.

Mr. HERSEY. In what States?

Mr. SPEH. It is in North Carolina, South Carolina, Georgia, Florida, Alabama, Louisiana, Texas, and Mississippi.

Mr. HERSEY. And these 1,500 different organizations or individuals control that industry, do they not?

Mr. SPEH. There are 1,500 operators.

Mr. HERSEY. They would control the industry, would they not? They own the forests and control the industry, do they not?

Mr. SPEH. I wish I could say they could control the industry. If they did, and could control—

Mr. HERSEY (interposing). Your object here is to amend the act so that they can control the industry?

Mr. SPEH. I wish to give these men the opportunity of combining in small or large groups, just as the farmer can do in his cooperating marketing associations.

Mr. HERSEY. The farmers, under this cooperative law, which you desire to have your people come under, have the right to combine, issue stock, and hold their crops for the market.

Mr. SPEH. Yes, sir.

Mr. HERSEY. Do you wish to get in the same position where you can hold your crops for the market, and help fix the price by doing that?

Mr. SPEH. If, as a direct result from that, prices would be affected—

Mr. HERSEY (interposing). You want to effect an organization that can market your stuff in an orderly manner, and also in a profitable manner?

Mr. SPEH. Yes, sir.

Mr. HERSEY. At the same time, you do not want to come under the Sherman law or the antitrust laws?

Mr. SPEH. Yes, sir.

Mr. HERSEY. You want to get out from under those laws. Would you then, being limited to a small part of the United States in the production of this turpentine and resin, which are necessary articles, in a way, of consumption, be in a position where you could control the market for turpentine and resin, which could be done in the way the farmers control the market for their products?

Mr. SPEH. Absolutely not; you could not control the output in our market.

Mr. MICHENER. Why not?

Mr. SPEH. Just because of the nature of the industry. It is because there is such a vast number of men scattered around who will not cooperate as a unit. You have the market to-day made at Savannah, in which no producers in the country have a voice, and that has been going on for time immemorial. The market moved from Wilmington, N. C., on to Charleston, and now it is located at Savannah, and at no time in his history has the producer been able to control the market.

Mr. MICHENER. But if you have the authority here granted, you will immediately incorporate as a cooperative association and you will control the larger producers and the distillers, and the moment that takes place you will be in the position where you will control instead of the fellow at Savannah. Is that not true?

Mr. SPEH. Knowing the industry and the producers, I would say no.

Mr. MICHENER. Is not that the purpose of this legislation?

Mr. SPEH. No, sir; I assure you there is no intention of gaining control of the industry.

Mr. HERSEY. Then what is your purpose?

Mr. SPEH. To permit the operators to combine in small groups, so that they will not be at the mercy of the market in Savannah.

Mr. HERSEY. Could not that be done in big groups?

Mr. SPEH. If they wished to.

Mr. HERSEY. You have only one market to-day, that in New Orleans?

Mr. SPEH. No; we have a market in Savannah which sets the price for the world.

Mr. HERSEY. Are you obliged to go to that one market?

Mr. SPEH. We are obliged to sell on the price of that market.

Mr. HERSEY. Why?

Mr. SPEH. Because that is the recognized market.

Mr. FOSTER. Just as in the case of Elgin butter?

Mr. SPEH. I would say so, except that this market changes each day.

Mr. CHRISTOPHERSON. If this is an agricultural product, why can you not combine under the law as it is to-day?

Mr. SPEH. We have to assume that inasmuch as you have not only enumerated one or two things in the present act, but several things, that there is a necessity for enumerating others, in case of doubt.

Mr. CHRISTOPHERSON. They are enumerated in general terms and are called "Agricultural products." We do not specifically enumerate wheat men and corn men.

Mr. SPEH. But the act does enumerate dairy men and nut growers and fruit growers. That is something entirely apart from the wheat growers.

Mr. CHRISTOPHERSON. But the act includes agricultural products under a general term.

Mr. BIRD. Mr. Speh, your affiliation with agricultural products would be in the production of gum, would it not; that is, the gum as it comes from the trees? I notice that the language here is, "producers of turpentine and resin." The production of turpentine and resin is a distillation, is it not?

Mr. SPEH. It is a distillation, but that is not all.

Mr. BIRD. As I understand it, under this language, this amendment would not have anything to do with the people who are getting the gum from the trees, would it?

Mr. SPEH. The gum is the turpentine and the resin, only they are combined. They are together, and you separate them into the two commodities, turpentine and resin, so it would cover the two commodities as they are separated. I should say it would cover the two together.

Mr. FOSTER. If you had simply said "producers of gum" it would not have been specific enough?

Mr. SPEH. No, sir.

Mr. SUMMERS. Would you be willing to accept language in this proposed amendment authorizing the producers of gum to form an association?

Mr. SPEH. No, sir; there is no market for the gum to-day.

Mr. BIRD. That is the point I am trying to make, that this is a bill involving only a part of the industry and not the producers of the gum.

Mr. SPEH. No; because nobody uses the gum outside of a few plaster factories. Therefore, there is no need of a cooperative market for the whole industry except for the small producer, who might want to take advantage of it in selling gum and operating a still of his own, but not having enough business for the erection and running of a whole still.

Mr. MICHENER. In substance, this simply authorizes the distiller and gives him the power to fix the market of the little fellow who hunts the gum. You can ship his gum any distance and distill it. You do not distill it in the forest, as a rule. You can ship the gum anywhere to a point of distillation, just as you can ship your farm products or your peas, as I said a few moments ago. The peas are shipped to the canning factory and the canner cans them and markets them. So the distiller takes this raw product that is gotten from the native tree and distills it, he, of course, making the turpentine and the resin there at the still, and there might be some other by-product. Then he markets the turpentine and the resin, and if there are any other by-products he will market them, too.

Mr. SPEH. The still is as much a part if the operation as the gum that comes from the tree.

Mr. MICHENER. Just the same as the factory is a part of the shoe. But the only agricultural product which enters into it is the cow.

Mr. SPEH. No; in the factory you have added something to or taken something away from the original raw material. In this case we take nothing away from the raw material, or do anything to the raw material.

The CHAIRMAN. I presume there are some by-products. This man hauls the gum off to a place where there is a distillery.

Mr. MICHENER. And the distiller controls the price, absolutely.

Mr. SPEH. I beg to differ with you.

Mr. DOMINICK. I do not think that is a fair comparison. For instance, in the cotton-producing States, we go out and pick our cotton. Of course, we can not do anything with the cotton until we take it to a gin, and we have it ginned and baled in a merchantable condition. But, as I gather from the testimony here this morning, what Mr. Speh is complaining of is the same thing money here this morning, what Mr. Speh is complaining of is the same thing we complain of in the cotton market. It is controlled by the New York Cotton Exchange, and the turpentine market is controlled by the people who fix the price at Savannah.

The CHAIRMAN. Is it not a fact that some years ago the resin people were indicted or complained of by the department for creating a trust?

Mr. SPEH. Many years ago the Naval Stores Co.—

The CHAIRMAN (interposing). In 1912, was it not?

Mr. SPEH. I do not know the year.

Mr. HOKE SMITH. There was one big company in Savannah that was indicted, and very properly indicted, but they did not control half the product. They controlled a very large quantity of it, and their control was so great that the Department of Justice proceeded against them.

Mr. BIRD. Were they distillers?

Mr. HOKE SMITH. They were producers of the distilled product.

Mr. DOMINICK. Was that under the Sherman Act?

Mr. SUMNERS. Applying your reasoning, why should not it be permitted that the manufacturers of the lumber that comes out of these trees after the gum is extracted also could organize?

Mr. SPEH. I have not given that matter any thought whatsoever.

Mr. SUMNERS. Here is a tree; you take gum out of it to be manufactured into turpentine and resin, then you cut the tree down and take one product to the still and the other to the sawmill.

Mr. HERSEY. What I would like to understand is this; if you can make this clear to me, I have not anything else against your proposition: Is it not possible, if we give you this authority, if Congress passes this bill, that then the American interests in turpentine and resin would so combine as to control the price of that product and leave the American people at the mercy of the foreign producers or importers?

Mr. SPEH. As I answered that before, I would say it is my sincere belief it could not be done.

Mr. HERSEY. Why not? Why could not you combine and raise the price and then say to the American consumer, "You have to pay this price, or you can not have the product"? Why could not the producer say, "You can not have this product unless you pay the price I ask for it"? Why could they not have this product and we will not sell it except at our price"? A few say, "We have combined and we will not sell it except at our price"? A few little fellows may not be in the combination, but the big fellows will come together and control the large output. Will you explain why that will not happen?

Mr. SPEH. I do not know that I can convince you unless I try to familiarize you with the type of man who operates this business.

Mr. HERSEY. You can not do that by types of men.

Mr. SPEH. And also the conditions under which he operates.

Mr. HERSEY. Men will combine, no matter what type they may be; they will combine for their own interests.

Mr. SPEH. Will it be fair to reply in this way: Assuming it were possible to do that, that is, to set the price, would not the Federal Trade Commission then have a perfect right to come in and proceed against us?

Mr. HERSEY. No; you have said you are exempted from the antitrust laws, from the Clayton Act.

Mr. DOMINICK. Would not that same argument apply to these various products mentioned here?

Mr. MICHENER. Section 2 takes care of that.

Mr. HERSEY. You mean the farmers could not combine over the country to control the production of the farm plants?

Mr. SPEH. No more could the farmers combine than the naval-stores men. The CHAIRMAN. You represent an organization?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Will you give us the names of those who belong to the organization?

Mr. SPEH. Can I?

The CHAIRMAN. Yes.

Mr. SPEH. There are about 30 members; I do not know that I can give them all to you.

The CHAIRMAN. Who are they?

Mr. SPEH. Who are the 30 members?

The CHAIRMAN. Yes.

Mr. SPEH. There are the D. J. Gay interests in Biloxi, Miss. Mr. Gay is interested in several different companies.

The CHAIRMAN. What is the business done?

Mr. SPEH. Naval stores; turpentine and resin producers.

The CHAIRMAN. Does he produce any gum himself, or does he buy it?

Mr. SPEH. No; he produces gum. But he does his own separation.

The CHAIRMAN. What acreage does he have?

Mr. SPEH. That I do not know.

Mr. BIRD. Does he deal in gum other than that which he produces?

Mr. SPEH. It is possible there may be some patches of timber in the neighborhood of his place where some man may produce some gum which he buys. But that would have no relation to the turpentine market price or the resin market price.

Mr. HERSEY. You speak of the naval stores as your only market. What are the naval stores to which you sell the turpentine and resin?

Mr. SPEH. Naval stores is an old name which has been handed down from the days of the early Virginia Colonies. Turpentine, resin, and crude gum were converted into tar and tar was used for calking rope, and so on. The stores controlling that trade were the ships' chandleries, and that was classified as naval stores.

Mr. HERSEY. The Government does not buy your product?

Mr. SPEH. No. Since that time the name "naval stores" has drifted away from everything else so that it now sticks only to turpentine and resin.

Mr. MICHENER. That bears out the idea that the product made from the tree is the gum that was used in the earlier days for something else, and now the chemist has learned to make from it the finished products of turpentine and resin.

Mr. SPEH. If I might go back further, I may say that in the old days they took this crude gum and put it into an open kettle and held over it a covering of sheep's wool while the turpentine was recovered. If you go back to the days of the Colonies you will find that they actually did use turpentine.

Mr. MICHENER. I am not arguing that there is no turpentine in the gum, but I do insist that the gum is raw material, and you take it to the factory and make what you will with it.

Mr. SPEH. I want to point out that the turpentine was a market product before the gum was.

The CHAIRMAN. Can you give us a list of the names of the people or organizations who belong to the association you represent, and at the same time give us the number of acres that each person or organization has?

Mr. SPEH. I could not do that now. I could give you the names, and I could give you approximately the percentage of production that our association represents.

The CHAIRMAN. What percentage does it represent?

Mr. SPEH. About 20 per cent. That is, our association works for the whole producing industry, but the expense is borne by 20 per cent of the production.

The CHAIRMAN. After you have the turpentine and the resin separated at this local distillery it it not redistilled later on?

Mr. SPEH. No, sir.

Mr. HERSEY. Turpentine and resin are articles sold generally all over the country in drug stores and hardware stores, and in many paints and oils which are used extensively by almost everybody?

Mr. SPEH. Yes, sir.

The CHAIRMAN. Turpentine goes into paints largely?

Mr. SPEH. It goes into paints, varnishes, and shoe polishes.

The CHAIRMAN. Resin is used in varnish, is it not?

Mr. SPEH. In soaps, varnishes, paper, and sealing wax. Those are the main uses.

Mr. DOMINICK. Is your association a corporation?

Mr. SPEH. Yes, sir. We have been incorporated under the State law of Louisiana.

Mr. DOMINICK. Have you any members in your association outside of Louisiana?

Mr. SPEH. Yes, sir; we have members in Texas, Mississippi, Alabama, and Florida.

Mr. HERSEY. What is the name of the corporation?

Mr. SPEH. The Turpentine and Resin Producers' Association.

Mr. BIRD. What is the average value of a still? What is the investment in a still?

Mr. SPEH. I would have to make an estimate on that. I would say probably it would be anywhere from \$200 to \$250 or \$300. It is nothing more than a plain copper still connected to a worm condenser set in a wooden tub, set up on a foundation of brick.

Mr. BIRD. Are there any large distilleries?

Mr. SPEH. In general, they are all about the same size. You will find that these stills are generally 20-barrel stills, and they will hold 10 barrels of crude gum.

Mr. MONTAGUE. How many of those distilleries would you have in a good-sized plant?

Mr. SPEH. I know of no place which has more than three of these stills. The average will be one still, and in a good many cases it will only run part of a week.

Mr. MICHENER. You have contemplated certain procedure in case this bill becomes a law, have you not? If this bill becomes a law, then you will form one big company, will you not?

Mr. SPEH. I can assure you gentlemen sincerely that there is no plan that I know of—no plan whatever—that is, no definite plan for an organization. We would like to get this bill enacted into law before the end of this session, if possible, and let the producers take advantage of it.

Mr. MICHENER. You will so control the business that there will be no market for the fellow who does not belong to the association; is that not true?

Mr. SPEH. No, sir.

Mr. MICHENER. Is not this business of such a nature that everybody will come in?

Mr. SPEH. We would like to have them; but still, even if any groups will combine by States or counties or in small corporations for the handling, through one medium or through one association of their own, they would have to sell on the Savannah market.

Mr. HERSEY. Why?

Mr. SPEH. Because that is the market which the world accepts.

Mr. HERSEY. That is why it is easy to control?

Mr. SPEH. It is controlled by the dealer to day.

Mr. FOSTER. Have you in that case the same relation to turpentine as Rockefeller has to oil, and if they want to change the price it is changed from Savannah?

Mr. SPEH. As far as I have observed, if they want to change it they can do that.

Mr. HERSEY. You want to control the market under one association?

Mr. SPEH. No, sir; there is no possibility of doing that, because the market—

Mr. HERSEY (interposing). What is the object of your organization, if it is not to control the market?

Mr. SPEH. Under this bill?

Mr. HERSEY. Yes; the organization you want to provide for under this bill? What is the object, unless it is to control the market on turpentine and resin?

Mr. SPEH. It is to permit the small producers or the large producers to combine and establish a central selling agency, just as the small growers of berries sell through one organization.

Mr. HERSEY. Do you not expect to fix the price, if this bill is enacted into law, and you are allowed to form this organization?

Mr. SPEH. No, sir.

The CHAIRMAN. Who started the effort to secure this legislation?

Mr. SPEH. I did, sir.

Mr. FOSTER. Is there anybody here to-day opposing it?

Mr. SPEH. No, sir; I think not, except what opposition there is among you gentlemen.

Mr. HICKEY. You simply want to be placed on an equality with the fruit men and the berry men and others named in the original act?

Mr. SPEH. Yes, sir.

Mr. BIRD. The object of your organization must be either to stabilize conditions and prices, or to improve conditions and prices, must it not?

Mr. SPEH. I would further say that any organization that would be formed under this bill would probably have the effect of standardizing the product. It would aid in the marketing of the product, getting better marketing facilities than there are in existence to-day, and give these producers marketing facilities which are not open to them to-day. It would probably have the effect of stabilization.

Mr. BIRD. The stabilization of the price would be accomplished through the same process that would permit the increase of the price, would it not?

Mr. SPEH. The market to-day is not made by the producer.

Mr. BIRD. I understand that.

Mr. SPEH. It is made by the dealer, who decides how much he will pay for it.

Mr. BIRD. But the machinery that would be used to stabilize the price could be misused in the controlling of the price, could it not?

Mr. SPEH. It could if we could get 100 per cent cooperation, just the same as would be the case in any form of combination.

Mr. MICHENER. You could stabilize very nicely if you had a proper tariff and if this bill became effective as law. You could absolutely control the market by the very nature of the industry. The nature of the industry is such that you are limited to a certain number of trees. The trees grow—you do not cultivate them. You can tell what your production will be or what it will not be, without any care or attention, and you can make the supply meet the demand and fix your price at whatever figure you want, and take care of any incoming turpentine by protection. You have a trust that might be sinister.

Mr. SPEH. Let me take up those points. We have no protective tariff on turpentine or resin. They enter the country duty free. Mexico can sell turpentine and resin cheaper on the west coast than we can move them from producing points in the South. I saw a letter in the Department of Agriculture yesterday in which somebody said they wanted to make a lease with the Forest Service for some trees in California. In California and parts of the north-west there are pines which will produce turpentine.

Mr. MICHENER. The fellow who signs that lease is the farmer. The fellow who uses the forest and cuts the trees and takes the gum out is the turpentine farmer.

Mr. SPEH. There is always the raw material at hand which can be used to increase production. There is absolutely no control over production, no control whatsoever.

Mr. FOSTER. Mr. Chairman, do you not think we ought to hear anyone who desires to speak in opposition to this bill?

The CHAIRMAN. Senator Smith is here, and he may make such statement as he desires.

STATEMENT OF HON. HOKE SMITH.

Mr. SMITH. Mr. Chairman, my interest in this matter is largely in connection with the small turpentine farmer in Georgia. I am quite familiar with his history and his work. The committee seems to be troubled about two propositions: First, whether this is not a manufactory change of gum, and also what effect this legislation would have upon the market. It is no more a manufactory change of product than the cotton gin is a manufactory change of product.

Mr. MICHENER. And when you get through the ginning process the cotton is still cotton?

Mr. SMITH. Yes; but the seeds are separate and the cotton is separate. You can not market that cotton in the seed, and you can not market this gum. There is no price for cotton in the seed; it could not be sold. I mean there is no market price. Such a thing as marketing cotton in the seed is unheard of. It must go to the gin, where the seed is separated from the cotton. So this gum from the tree goes to the still and the resin is separated from the turpentine. The turpentine is the thing that has value, and the

resin is a by-product, in a sense, just like cottonseed. The resin bears to the gum about the same relative value that the cottonseed bears to the lint cotton. The chief thing of value is the turpentine. It is in no sense a manufacturing plant. You have to separate your wheat; you have to take the wheat and put it through a threshing machine and separate the straw from the seed. But the comparison which applies more closely to this proposition is that of the cotton gin, which separates the seed from the lint cotton.

There are a great many small producers in Georgia. They take their gum—Mr. MICHENER (interposing). Do you not think there is a difference between the wheat crop and the cotton crop and the gum tree? In the case of wheat and cotton you plant something. You have one objective; in one case it is cotton, and in the other case it is wheat. You must go through certain processes before you get the finished wheat or cotton. With turpentine and resin there is a tree, nature's tree, and you do not plant it.

Mr. SMITH. It is not nature's tree.

Mr. MICHENER. They are two entirely different things. It seems to me.

Mr. SMITH. I was going to explain that to you. It is not any longer a natural tree. To a large extent, they are beginning to rely upon setting apart special fields for the second growth and keeping them clear, and giving a chance to those trees to grow so that they may still have the supply. The original forest has largely been cut off in my State, and it is the second growth they are depending upon, to a large extent, for their turpentine and resin.

Mr. BIRD. Would you not call the threshing industry an independent industry from that of the wheat grower?

Mr. SMITH. It is, in a sense.

Mr. BIRD. Would you not call these distillers an independent industry from the producers?

Mr. SMITH. Except for this, that a number of them get together and put up a still to handle their turpentine and resin.

Mr. HICKEY. One is dependent upon the other?

Mr. SMITH. A farmer's turpentine still can be bought for about \$200, and quite a number of them get together. They have their little patches. There are a great many of those patches, not over 25 acres.

The CHAIRMAN. Is not this true, that ordinarily the farmer does not depend on anything of this kind. He has a patch of timber, and if he allows it to be tapped in three or four years he is out of the business and does not run it any longer?

Mr. SMITH. But he does. The native forest is so largely passing away that more attention is constantly being given to taking care of the trees and saving the trees before and after tapping, and also to setting apart a place to grow additional trees.

The CHAIRMAN. I suppose you can only use them for a little while, then you have to quit.

Mr. SMITH. No; you can use your turpentine trees for five years, if you take care of them, and then you can use them again later on.

The native pine is going so rapidly, and has so largely gone, that it has become essentially a matter of study to find out how to preserve and how to continue the growth of the forest, and the cultivation of the second growth. Fields are set apart for the second growth, and those second-growth trees are allowed to grow up. They are thinned out, and they are, in a sense, cultivated now, which was not the case with the original forest. It is absolutely essential that that study of the cultivation of the tree and the care for the tree be made more and more intensive.

The CHAIRMAN. You mean to say every farmer takes care of them?

Mr. SMITH. I mean many of the small farmers, with only a few hundred acres, are setting apart, or letting a part of their ground grow up to timber, and letting that timber grow into second-growth pine. They are taking care of it with a view of having the wood, but with the view first of utilizing the tree for the gum and the turpentine and the resin.

Mr. DOMINICK. Is it not a fact, as you know, that because of the boll-weevil conditions in the South and the reduction of the acreage, and the exodus of Negroes to the North—

Mr. SMITH (interposing). You have just anticipated me. I was just going to add that in the south half of Georgia it has been essential to turn to everything that can be found for diversification. It is utterly impossible to cultivate the large fields of cotton that were cultivated before, and something else must take its place. There must be diversification; there must be a change; you

can not plant a field three years in succession in cotton without having the crop destroyed by the boll weevil. You must diversify your crop, and this is an effort at diversification.

The CHAIRMAN. It takes 30 or 40 years to grow a gum tree to maturity, does it not?

Mr. SMITH. Not at all. In 10 years you can get a crop of turpentine and resin from the second-growth pine, and by proper care you can use the tree for a few years and save it and then use it again, and tap your tree again.

The old plan, when the woods were full of pine trees, 30 years ago, vast groves, vast forests of pine trees, was to see how quickly you could get out of the forest what was in it, and cut down the tree.

Mr. GOODYKOOTZ. I came in late, Senator, because I was in attendance upon another committee meeting. I wanted to ask you about what proportion of the turpentine produced in this country is consumed in this country? Do we use the whole output, or is there enough produced for our use?

Mr. SMITH. I was under the impression that we used half of it and that about half of it was exported. The last time I looked into the question, which was a few years ago, we did export at least half of it. What proportion we are now exporting, I do not know.

Now, Mr. Chairman, with reference to the small producer, and the effect of this bill on him: I do not anticipate anything like 50 per cent of the growers or of the owners of the turpentine and resin factories joining this association. They will not do it. I have not any doubt but that in two counties in Georgia they will form their own association. The two southwestern counties produce a good deal of turpentine and resin. There are a great many very small producers who have not associated themselves together in that way. It is not a question of the ultimate sale of a question of taking care of the actual producer against the naval stores man, who dominates the market. He is called a naval stores man still in Savannah, but there are a few big buyers of this product who take it at whatever they want to pay for it, from the small producer, if he has no organization and no cooperation.

Mr. MONTAGUE. From whom do these buyers buy?

Mr. SMITH. They send their men around to buy from the men who produce it.

Mr. MONTAGUE. Do they buy it before or after it is distilled?

Mr. SMITH. I have never heard of any sales of gum.

Mr. MONTAGUE. Do they buy it from the man who operates the still or from the planter who brought it there?

Mr. SMITH. From the man who brought it there. As a rule, the man who operates the still does not buy it any more than the man who runs a gin buys the cotton.

Mr. SUMNERS. Are you sure you are correct in your statement that the method of conducting that business is for the farmer to take the gum to the still and then for the operator of the still to turn back to the farmer of the gum the turpentine and resin?

Mr. SMITH. That is my understanding of the situation. I have not been in my home State for the last three or four years, but further back in the history of the product, when I traveled all through south Georgia a great deal and was quite familiar with the situation, that was the custom at that time.

This also is true. The man who took the gum there, usually, as soon as his gum was separated into resin and turpentine, sold it, and sold the turpentine and resin to somebody at Savannah who had his agents around at stills and was fixing the price of the turpentine and the resin.

The CHAIRMAN. Was not that usually the man who ran the still?

Mr. SMITH. I do not think so. I think a great many of the stills were cooperatively owned by the producers of the gum. I know they were a few years ago. Two or three men would join together and buy a still and run out their own gum.

Mr. MICHENER. What is the condition now?

Mr. SMITH. I think it is substantially the same.

Mr. BIRD. You say this is, in effect, to protect the turpentine farmer from the ship chandler or naval stores man?

Mr. SMITH. That is to allow the original producer to have cooperation and be in a position to have something to do with the price at which he sells.

Mr. BIRD. That is it exactly. Is not this the first step in price control?

Mr. SMITH. No; I do not think so.

Mr. BIRD. What would stop it?

Mr. SMITH. Not any more than the legislation that Congress has passed in the interest of the farmer generally is to bring about the orderly sale of farm products. There are so many of these people, there are so many of these turpentine farmers, there are so many cotton farmers, and so many wheat farmers, there are so many diversified classes of producers of agricultural products that cooperation among them does not threaten monopoly. Cooperation among farmers or producers can not be carried to the extent that cooperation really may be carried among manufacturers.

Mr. HERSEY. Can you tell us whether we import turpentine and resin?

Mr. SMITH. From Mexico almost alone.

Mr. HERSEY. How much do we import from Mexico?

Mr. SMITH. I do not know. It is a matter of freight transportation, I think. Mexico furnishes the bulk of turpentine and resin to the western part of the United States, where the freight rates are such that they can ship that product easier than it can be shipped from the eastern part of the country to them.

Mr. GOODYKOONTZ. For what is resin chiefly used?

Mr. SMITH. I think chiefly for soap making. Turpentine has a great many different uses.

Mr. HERSEY. The report of the Agricultural Department does not show any imports.

Mr. SMITH. From Mexico?

Mr. HERSEY. Yes.

Mr. SMITH. Those things come in free from Mexico, I believe. There is no duty on them.

Mr. HERSEY. That would not make any difference, would it?

Mr. SMITH. No, unless there was no record kept. I am not sure about the matter of imports.

Mr. HERSEY. Do we not supply the whole market wholly with turpentine and resin?

Mr. SMITH. I should think some came in from Mexico, to the western part of the country, where the difference in freight rates would facilitate their obtaining the product from Mexico.

I do not think there is any cause for fear of any extensive combination bringing these people all together. You can not bring all the cotton farmers together; you can not bring all of the tobacco producers together, or all of the agricultural producers together. What is done to facilitate their cooperating for the purpose of having some voice in the market is, I believe, exceedingly helpful to agriculture, and very desirable.

Mr. MICHENER. You say that can not be done. Assuming that you protect the home cooperative association and that you were to put a still in each community, you would fix the price there and you would buy the product, and the little farmer with a little clump of trees would have no place to sell unless he sold to you, because you would be in such a situation that it would not be profitable for this naval stores company to have an agent around to buy, say, 2 or 3 gallons. You would do what they do in the raisin growers' association in California. Your situation would be closer, in comparison, with that industry than any other because there is only one particular section where they can grow raisins. They absolutely control the farmer out there and he can not sell his raisins unless he belongs to the association, and they have made the price so attractive that all of them have gradually come in, and where the farmer would not join and sign up, he found he had no market whatever for raisins. There was no one to buy his raisins. The man who used to buy them had left, because there was not enough left to buy. In other words, you will have them all in, or they will not sell their gum.

Mr. SMITH. On the contrary, there are different naval-stores men on the coast who buy the product. It is only necessary for the producers in two or three counties to join together and sell their product.

Mr. MICHENER. When you get these associations organized the naval-stores men will not be around.

Mr. SMITH. I think you are mistaken about that. My desire, my principal and sole desire, is to see cooperation among these smaller turpentine and resin factories, so that they may be able more intelligently to market their crops.

I was on the subcommittee of the Senate committee which had to do with amending the Clayton Act, with a view of taking care of the agricultural

interests. I had the privilege of sustaining that amendment upon the floor of the Senate. I do not believe that any menace in the shape of monopoly can come from giving the farmer class an opportunity to cooperate for the marketing of their crop.

Mr. BOIES. Was not the same argument raised against the farmers' cooperative bill both in the House and the Senate as is raised here this morning?

Mr. SMITH. It was; the same point was made then, and we had to fight it out.

Mr. MICHENER. You were dealing with real farmers, and not with manufacturers.

Mr. SMITH. We are dealing with real farmers now.

Mr. HERSEY. You know this gum country is restricted to only a small area, is it not?

Mr. SMITH. Not a small area. It includes half of North Carolina, a large part of South Carolina, Georgia, Florida, half of Mississippi, Alabama, nearly all of Louisiana, and a considerable part of Texas.

Mr. MONTAGUE. What about Arkansas?

Mr. SMITH. And Arkansas. It includes certainly one-sixth of the area of the United States.

Mr. BIRD. Did I understand Mr. Speh to say that there were only something like 1,500 producers?

Mr. SMITH. There are, however, more than that.

Mr. MICHENER. And that the small operator has 1,500 or 1,800 acres?

Mr. SMITH. He is dealing with a larger class.

Mr. FOSTER. He said that was the average in Georgia.

Mr. SMITH. He is entirely mistaken about that. Our producers in Georgia will come down to an average of less than 50 acres.

The CHAIRMAN. Can you tell me why these lumber concerns have been so anxious to have this bill passed?

Mr. SMITH. I did not know anything about their anxiety. I did not know they had been.

The CHAIRMAN. Information has come to me that the lumber concerns are very much interested in it.

Mr. SMITH. In seeing the bill passed?

The CHAIRMAN. Yes.

Mr. GRAHAM. Tell us what they said was their reason.

The CHAIRMAN. They simply have tried to make me stand for the bill.

Mr. FOSTER. What view do the farmers' organizations take of it?

Mr. SMITH. I think they favor it.

Mr. FOSTER. I understand there is one of the representatives of the farm organizations here this morning, and I understand they are opposing it, and I would like to hear from him.

Mr. SMITH. I do not know about that.

Mr. GOODYKOONTZ. Senator, when I was a young man I used to help raise tobacco in Virginia, and these conditions existed when I helped to raise a tobacco crop: When we took it up to Lynchburg there was a crowd of buyers there and they all had the same price, and when that tobacco was sold we hardly had money enough to pay for the fertilizer. I imagine you have the same kind of situation here and you just felt that when you have a buying organization on one side you want to combine a little to offset and counteract that.

Mr. SMITH. I want to give a chance to the small turpentine and resin farmer in my State, primarily, to combine and cooperate. You could not put all the producers together to save your life. If you got two-thirds of them in any two counties or in one community you would be doing about all you could do. I have for 25 years in my own State urged cooperative marketing by the farmers, so that there might not be 1,000 or 10,000 producers trying to sell with only one or two purchasers to buy from them.

Mr. BIRD. Suppose this amendment were limited to gum producers instead of to the producers of turpentine and resin, so that it would not reach the distillery?

Mr. SMITH. They do not sell the gum.

Mr. BIRD. But they could cooperate concerning the marketing of it.

Mr. SMITH. But it is the resin and the turpentine that the producer has to sell. If you limit it to gum it will not have any effect.

Mr. BIRD. You are dealing with the producers of gum, are you not?
 Mr. SMITH. That would not get you anywhere, any more than if you would limit the disposition of cotton to cotton in the seed.

Mr. BIRD. The growers.
 Mr. SMITH. Well, I think this will be limited to the producers of gum.
 Mr. BIRD. I do not say take out producers of turpentine and resin; that is really distillation.

Mr. SMITH. I had intended, Mr. Chairman, to express the opinion very strongly that this bill is constitutional; that if the original bill prepared by the chairman of this committee is constitutional, this amendment would also be constitutional.

Mr. MICHENER. Whom do you represent, Senator?
 Mr. SMITH. I really do not represent any one, except a personal interest. I think a representative of this association came down and spoke to me about representing him professionally, but I made no arrangement with him and told him I did not care whether or not I was compensated at all.

Mr. MICHENER. We do not care anything about the compensation, but I wanted to know just whom you represent.

The CHAIRMAN. Is there anyone who desires to be heard in opposition to the bill?

STATEMENT OF MR. CHARLES W. HOLMAN, SECRETARY NATIONAL MILK PRODUCERS' FEDERATION, 1731 I STREET NW., WASHINGTON, D. C.

Mr. HOLMAN. Mr. Chairman, I represent, as secretary, the National Milk Producers' Federation, with a national organization of 26 cooperative corporations, representing 210,000 farmers who sell their milk cooperatively.

We have been very deeply interested, as you know, in the passage of the act under consideration, which it is proposed to amend—the Capper-Volstead act.

When I received notice a few days ago of a proposal to amend the act, it was a strange proposition to us. We know very little about the resin and turpentine industry; but it occurred to use that a very deep principle was involved before the committee on the question of classification—as to what type of persons are entitled to use the cooperative principles of organization.

If it were true that the resin and turpentine industry were primarily and dominantly a small farming industry, we think the economics of that situation ought to be considered by the committee; but from such little investigation as we have had time to make, we are informed that about 80 per cent of the resin and turpentine of the country is produced by large operators and corporations of relatively large size that practically control the industry. We also understand that the term "producer" is used in the turpentine and resin trade synonymously with the term "manufacturer," that being used by Mr. Wickersham, former Attorney General of the United States, in the case of the United States of America v. the American Naval Stores Co. et al., which was a petition in equity.

Mr. GRAHAM. Has that case been heard?

Mr. HOLMAN. Yes, sir.

Mr. GRAHAM. Is it in the reports?

Mr. HOLMAN. Yes, sir; it is in the reports.

Mr. GRAHAM. In what volume?

Mr. HOLMAN. I can not give you that just now. I am not a lawyer. That is only the Attorney General's brief in that particular case; but I shall be very glad to furnish the reference.

The term "small producer" is used synonymously in the act with people who operate 10,000, 15,000, or 25,000 acres of long-leaf pine.

The one who ordinarily is known as the man who buys and sells in this business on commission, also operated under lease and ownership of large tracts of land. We have been informed that in the eastern part of the country there are more of the small producers than there are from Mississippi westward. In Louisiana and Texas there are large holdings of land under syndicates, and we have also been advised that the Federal Trade Commission in its cost survey, which has recently been reported under date of May 1, 1922—has gathered data which are unpublished and which show a considerable number of sub-

sidary corporations organized by these large lumber syndicates for the purpose of producing turpentine and resin.

Under those circumstances, and knowing as little as we do about this industry, we feel that perhaps this industry does not come as nearly under the term "agricultural" as do the other types of commodities that are listed in H. R. 2373. Consequently we suggest to this committee that a very careful investigation be made of the economics to ascertain who controls these large acreages and what may be the future development of the organizations, before the cooperative bill is amended. We suggest, further, that this problem be considered entirely independently of amending the Capper Volstead Act, because it seems to us that it comes more nearly within the range of large business, large scale operation.

Mr. HICKEY. You are guarding against a breaking down of that act?

Mr. HOLMAN. Yes, sir; we do not want a precedent established.

Mr. DOMINICK. Would this proposed amendment take from you any advantages you have under the act, or is this resin and turpentine matter related to the milk industry in any way?

Mr. HOLMAN. We have no relation to the resin and turpentine industry. We are only interested in guarding against a break-down in this particular act.

Mr. MICHENER. Is there anything connected with the production of milk that enters in or competes in any way with resin and turpentine?

Mr. HOLMAN. If there is, I do not know it.

Mr. MICHENER. I know that there go into paper some things that are the products of milk. I am wondering whether there is any relation between resin and turpentine and milk.

Mr. GOODYKOONTZ. How does this amendment nullify or amend your act?

Mr. HOLMAN. It was discussed by Congress—in the Senate, I believe—and it was proposed and suggested that this particular matter be considered independently of the cooperative agriculturist.

Mr. DOMINICK. This act was passed for the benefit of the Milk Federation? Mr. HOLMAN. No; it was passed for all bona fide agricultural organizations.

The CHAIRMAN. I happen to draw it, and therefore I know the theory upon which it was drawn. The idea was to try to classify all persons engaged in strictly agricultural products in one class and make the law only apply to that class. There is a case that went up from the Supreme Court of the State of Illinois, that afterwards reached the Supreme Court of the United States, in which stress was laid upon the fact that there was no proper classification and the law was, for that reason, void. In that case the court practically said that if there had been proper classification, the law might have been sustained; and it was in trying to avoid that trouble that I tried to include within the act none but actual farmers. That is one reason why, I am frank to say, I am opposed to this bill, as I do not consider the producers of turpentine and resin as farmers.

Mr. DOMINICK. How many products were set out?

Mr. HOLMAN. They are all products of industry directly. These products that you are mentioning now, in my judgment, are products of the forest, not requiring any particular industry or effort to raise the trees. Every other product is in there, outside, perhaps, of maple sugar, which is a very small amount, and which I could include; but, being a by-product, I do not think it would affect it.

I was told that the Consolidated Naval Stores Co. controls about 2,000,000 acres of land from which they make resin and turpentine.

Mr. GOODYKOONTZ. You mention the fact that large corporations or syndicates controlled these pine lands in the South. That is more or less true. And you have mentioned that in the western country corporations have been organized and now hold vast areas of land—many thousands of acres—for cattle raising and agricultural purposes generally.

Mr. HOLMAN. That is probably true.

Mr. SUMNERS. Your organization would have you disband an organization under these new laws.

Mr. HOLMAN. A central selling agency could be set up under this act, which would control perhaps 60 or 75 per cent of the turpentine and resin of this country; and this country dominates the world in that product.

Mr. MONTAGUE. What percentage of a product would constitute a monopoly?

Mr. HOLMAN. Thirty-one million eight hundred thousand gallons.

Mr. MONTAGUE. What percentage of this product or any other product would be requisite to constitute a monopoly?

Mr. HOLMAN. In cotton it is 20 per cent. Twenty per cent is recognized as sufficient to influence the market.

Mr. GOODYKOONTZ. The Attorney General brought suit in equity, I suppose, to dissolve a combination with reference to this industry. He likewise brought a suit to dissolve the organization that marketed the grapes in California, and under the Copper-Volstead Act we brought the grape industry within the protecting influence of this law.

Mr. HOLMAN. Yes, sir.

Mr. GOODYKOONTZ. Why make fish of one and fowl of the other?

Mr. HOLMAN. I do not think the two problems analogous in the least. The raising people are being overtaken by an excess of production and prices are falling. They will be unable within the next two or three years to maintain anything like the price they have had in the past, which shows that even in that industry, which is capable of being more thoroughly controlled than any other agricultural industry, they are unable to maintain a monopoly as regards the marketing of their products. In regard to turpentine and resin, all you have to do is to stop tapping the trees, and you are able to shut off or put on the flow.

Mr. DOMINICK. I am interested to know—you know so much about the turpentine industry—why do you not want the bill to be amended. Is it just because you do not want the present legislation to be affected?

Mr. HOLMAN. I was born in Mississippi, I lived in Louisiana, and I grew up in Texas.

STATEMENT OF MR. CHARLES A. LYMAN, SECRETARY OF THE NATIONAL BOARD OF FARM ORGANIZATIONS.

The CHAIRMAN. Please give your address to the reporter.

Mr. LYMAN. 3808 Morrison Street NW., Washington, D. C.

The CHAIRMAN. Proceed.

Mr. LYMAN. I do not want you gentlemen of the committee to think that I have come here with a mandate from all the farmers of the country, because the Board of Farm Organizations has not considered this subject. No doubt letters and telegrams could be sent out that would bring in protests from farmers who do not understand the reasons why I feel it necessary to-day to point out two or three things.

I am very much in sympathy with the idea of the small turpentine producers—people on the farms throughout the South and elsewhere—organizing cooperatively, and if we were sure the situation were just the way Senator Smith stated it—if we were sure it would go along that line—I do not think there would be any objection.

Senator SMITH. I have undertaken to describe the situation as I saw it in the State of Georgia.

Mr. MONTAGUE. Is there any law to prevent the cotton ginners from forming a cooperative society?

Mr. LYMAN. I think not. If the cotton producers in the South owned and operated cooperative cotton gins, I believe they could come in under the Copper-Volstead Act. Now, if there are in the South cooperative distilleries, or whatever they are called, of actual farmers, for the purpose of making this turpentine and resin, I would like to see those people have the benefit of the act.

I am not at all sure but what the Department of Agriculture would rule that an actual bona fide farmer who wanted to eke out an existence from the making of gum—it would be, I suppose, natural—might not come under that act. I am not sure as to that. Honey is not mentioned in this act—maple sugar is not mentioned in the act, and yet it is my idea that producers of honey and maple sugar could come under this act.

I think in northern Wisconsin, or other cut-off sections of the country, if they are bona fide farmers and they cleared land as they usually do, if they associate together for the purpose of sending out trainloads and carloads of cordwood, they probably ought to be allowed to do that. I can see where there would be advantage to those in Wisconsin in having a cooperative sawing outfit and a cooperative society for finding a good market, and so forth.

I am not sure but what actual bona fide producers can do a lot of things with products they grow on their own land. That is something the committee might ascertain—the attitude of the Department of Agriculture on some of these questions; but apparently this amendment will allow proprietary interests, some of which are very large, to come in under an act which is intended only for bona fide producers. That is the point that I wanted to bring up before the committee. I do not believe the committee wishes to let down the bars to proprietary interests.

There are two provisions in the act which were supposed and are supposed to guard—

Mr. GRAHAM (interposing). What do you mean by "proprietary interests"?

Mr. LYMAN. I mean organizations, corporations, or partnerships which go into business to make profit from the capital and from the contribution of others. Any of the farmers who are organized cooperatively have certain limitations. In the first place, any farmer admitted to a cooperative association has only one vote, regardless of the amount of stock he owns. Most of our cooperative laws, as I view them, are based on the Rochdale plan, and you can not have over \$1,000, usually, invested in the business. The man with a hundred-dollar share votes just the same as the man with 10 hundred-dollar shares. That is true in about 25 States. They took the Wisconsin cooperative plan as a model. That was based on a European system. I remember when Sir Horace Plunkett came here in the interest of that plan. I will remember when they worked out the basic principles as they saw them.

Under another provision of that plan there is no proxy voting under that type of organization. There is no harm, because you are building up agriculture and getting people settled upon the land, and making it possible for them to till the soil. That is what I would like to see in the turpentine and resin industry. I do not want to see anything come into this act which is designed to permit what I call the proprietary or joint-stock plan.

Mr. GRAHAM. In the application of that, how does it come into this act?

Mr. LYMAN. It can come in, I suppose, the way these people would come in under this act—under the 8 per cent limitation on capital stock. Personally, I did not want that provision in the Copper-Volstead act, but it went in just the same. That was supposed to take care of a great many cooperative associations of farmers, particularly the grain elevator associations of farmers, which were organized prior to the passage of one-man-one-vote type of cooperative association.

Mr. DOMINICK. Where would this interfere with the rights and privileges of the organization you represent?

Mr. LYMAN. Suppose this goes through, and then suit is brought and the act shall be declared unconstitutional, or suppose it goes through and pretty soon another group comes here—an analogous group?

Mr. DOMINICK. If it were declared unconstitutional, that would not repeal or invalidate the act of February 9, 1922, would it?

Mr. LYMAN. I can not answer that. I am trying to answer you frankly. My interest is to see that nothing gets in that will cause suits and litigation and make it necessary for Congress to have the bill—the matter—up again.

Mr. SUMNERS. Do you have that idea in mind that if this sort of legislation is extended, as here proposed, we may get public opinion in such an attitude that it will demand the repeal of the whole thing?

Mr. LYMAN. Yes, sir.

It seems to me that the cottonseed-oil and seed-cake producers may come in next if you do this and say: "We are buying a product from the farmers which has no market"—that is, the cotton before it is ginned—"and we are producers of seed cake and cottonseed oil." They could make a pretty good case. It looks to me like an analogy. One after another they will come down here, and you will have to amend this act.

I am not saying you can not amend this act to take care of the situation desired by Senator Smith. But the phraseology should be different. It should be in such language that it is clearly the purpose to take care of the settled, bona fide farmers—the men who have got timber on their lands, who are helping to support themselves and their families by making turpentine and resin, and who intend to live on the land and develop it. I would have no objection if you do that. I do not believe the farmers' organizations would object to that. I think they would welcome it.

From what I have heard to-day, there is need for some good organization to go down into that country and help those good settlers, bona fide farmers,

organize little cooperative associations, to organize their stills; that is the thing the evidence discloses to me. That is where the need is.

Mr. FOSTER. And, of course, the gum sellers?

Mr. LYMAN. Yes, sir; and let the gum sellers organize.

Mr. BIRD. Coming under the phrase "that persons engaged in the production of agricultural products, as farmers," you think they could be organized as the producers of this gum as farmers?

Mr. LYMAN. I think that would help it; or you might say agricultural producers.

The CHAIRMAN. If there are no further questions to ask Mr. Lyman, we will thank him for coming and adjourn for the day.

(Thereupon the committee adjourned.)

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